



Control Number: 44236



Item Number: 5

Addendum StartPage: 0

DOCKET NO. 44236

APPLICATION OF CUSTOM WATER
COMPANY, LLC FOR A
RATE/TARIFF CHANGE

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PUBLIC UTILITY COMMISSION
OF
TEXAS

COMMISSION STAFF'S RESPONSE TO ORDER NO. 1

COMES NOW the Staff of the Public Utility Commission of Texas, representing the public interest and files this Response to Order No. 1. In support of its Response to Order No. 1, Staff states the following:

I. BACKGROUND

On January 12, 2015, Custom Water Company (Applicant) filed an Application for Water Rate/Tariff Change for water Certificate of Convenience and Necessity No. 13211 in Montague County, Texas, pursuant to TEX. WATER CODE ANN. § 13.187 and Title 16, TEX. ADMIN. CODE (16 TAC) § 24.21 and 24.22 (Application). Custom Water proposed an effective date of March 20, 2015.

On January 20, 2015, the Commission's Docket Management Division issued Order No. 1, requiring Staff to file a recommendation on the application, or propose a procedural schedule if necessary, by February 11, 2015. Therefore, this Response to Order No. 1 is timely.

II. COMMENTS ON ADMINISTRATIVE COMPLETENESS OF APPLICATION

Staff has reviewed Custom Water's Application and has determined that Custom Water's Application is not administratively complete in accordance with TEX. WATER CODE ANN. § 13.187 and Title 16, TEX. ADMIN. CODE (16 TAC) § 24.21. 16 TAC § 24.8(a) provides that, if the Commission determines that material deficiencies exist in any pleadings, statement of intent, applications, or other requests for Commission action addressed in 16 TAC Chapter 24, regarding a rate/tariff change application, the application or notice may be rejected.

TEX. WATER CODE ANN. § 13.187(c) and 16 TAC § 24.22(a) require an applicant in a rate change proceeding to file a completed application package. However, the Application was

not fully completed, and therefore fails to provide adequate information for the Commission to process the Application and renders the Application materially deficient. As such, and as detailed in the attached memorandum of Leila Guerrero, Heidi Graham, Emily Sears, and Jolie Mathis, of the Water Utilities Division, Staff recommends that the Application be found not administratively complete and recommends that Custom Water be required to cure its application by March 11, 2015. Staff also recommends that the effective date of the proposed rate increase be suspended and the Applicant provide a new notice to the customers with a new effective date of at least 60 days before the effective date. If the Applicant has already implemented the proposed rate and began charging customers the proposed rate, Staff recommends that the Applicant be ordered to issue refunds to the ratepayers and submit proof to the Commission that refunds were issued.

III. PROPOSED PROCEDURAL SCHEDULE

Staff has reviewed the Application and recommends that Custom Water's application be deemed not administratively complete, and recommends that the Application and notice be rejected until the deficiencies are corrected. Accordingly, Staff has not proposed a procedural schedule for this Application at this time. Staff recommends that Custom Water be given until March 11, 2015, to cure these deficiencies in the Application. Staff proposes to file comments on the administrative completeness of the application and proposed notice on the amended application, and submit a proposed procedural schedule, on or before April 10, 2015.

IV. CONCLUSION

Because Custom Water's Application is not administratively complete, Staff recommends that the Application be rejected for the reasons described above. Additionally, Staff recommends that Custom Water be given until March 11, 2015, to cure these deficiencies in the Application. Staff proposes to file comments on the administrative completeness of the application and proposed notice on the amended application, and submit a proposed procedural schedule, on or before April 10, 2015

Respectfully Submitted,

Margaret Uhlig Pemberton
Division Director
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CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on this the 11th day of February, 2015 in accordance with P.U.C. Procedural Rule 22.74.



Katherine Lengieza Gross

Public Utility Commission of Texas

Memorandum

TO: Katherine Gross, Attorney
Legal Division

THRU: Tammy Benter, Director
Water Utilities Division

FROM: Leila Guerrero, Regulatory Accountant/Auditor
Heidi Graham, Staff Engineer
Emily Sears, Auditor
Jolie Mathis, Staff Engineer
Water Utilities Division

DATE: February 3, 2015

SUBJECT: **Docket No. 44236**, Application of Custom Water Company, LLC for a Rate/Tariff Change

On January 12, 2015, Custom Water Company, LLC ("Applicant"), Certificate of Convenience and Necessity (CCN) No. 13211, filed an application with the Public Utility Commission of Texas (PUC) to change its water rates and to amend its tariff in Montague County, Texas. The Applicant's two water systems, Montague and Oak Shores Water Systems with a total of 252 connections are included in this rate change application. The Applicant seeks to increase rates for the two water systems effective **March 20, 2015**. This application was filed under the criteria in the Texas Water Code (TWC), Chapter 13, and the PUC Subst. R. Chapter 24, Subchapter B.

Based on an administrative review of the application pursuant to TWC §§ 13.187(a) and 13.187(b), and PUC Subst. R. 24.8 and 24.22, the following errors were found:

- 1) On page 13 of 40 of the application, Section VI. A, Revenue Requirement (Revenue Requirement), the Applicant indicated "**Test Year 2013 to 2014**". Pursuant to PUC Subst. R. §24.3(52), "***Test Year – The most recent 12-month period for which representative operating data for a retail public utility are available. A utility rate filing must be based on a test year that ended less than 12 months before the date on which the utility made the rate filing***". The Applicant need to submit a corrected Revenue Requirement page with a complete date/period for the Test Year. The Applicant entered only the year but not a date and month for the test period.

- 2) On page 9 of 40 of the application, Table III.B, Original Cost and Depreciation Schedule (Depreciation Schedule) was not completely filled out. The Applicant must submit a Depreciation Schedule with complete information including a Date of Installation and Years in Service for all Assets.

Based on the deficiencies noted above, we recommend the following:

- a) The application be deemed insufficient for filing;
- b) The Applicant must provide the Commission a corrected Revenue Requirement page and a corrected Depreciation Schedule of the application;
- c) Suspend the effective date of the proposed rate increase and order the Applicant to provide a new notice to customers with a new effective date of at least 60 days before the effective date. If the Applicant has already implemented the proposed rate and began charging its customers, we recommend that the Applicant be ordered to issue refunds to the ratepayers and submit proof to the Commission that refunds were issued; and
- d) The Applicant be given 30 days to cure the deficiencies.